

THE NATIONAL SHIPBUILDING RESEARCH PROGRAM

Gainsharing—Employee Involvement
[n A
Shipyard|Assembly Yard

U.S. DEPARTMENT OF TRANSPORTATION
Maritime Administration and
U.S. NAVY
in cooperation with
Bethlehem Steel Corporation
Marine Construction Division

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FOREWORD

American shipyards and marine fabricators and assemblers have been beset by, and continue to be confronted with, intense competition generated by foreign producers. If labor and management do not cooperatively respond to this competition, the inability of U. S. shipyards and marine fabricators and assemblers to stay competitive will result in dire consequences such as:

- a. The loss of a significant portion of our ability to maintain a shipbuilding mobilization base and a self-sufficient posture for energy exploration and independence,
- b. The corollary of reliance on foreign fabricators and assemblers with their uncertain allegiance in times of international stress,
- c. The exacerbation of the country's trade deficit problem,
- d. Loss of income for workers and business for companies who have been mainstays in the industry,
- e. Expenditure of monies to train workers for other skills and trades, and
- f. Loss of revenue to the Government due to the industry's inability to work at full capacity.

A major contributor to the industry's problem is adherence to a traditional concept of the management-employee relationship. Within this framework, an employee has little opportunity to readily contribute his ideas and offer feedback on the job. This has become widely recognized as a major cause of suboptimal productivity, and undermines company performance relative to foreign and domestic competitors.

While many "employee involvement" programs have been documented and implemented in other industries, much remains to be accomplished to fulfill the potential of employee participation. What is encouraging thus far is that these programs, if properly conceived and implemented, do make a difference. To at least meet the competition on equal terms, employee participation must become a way of life in our industry.

At many unionized work locations, employees have made financial sacrifices in the form of concessions at the collective bargaining table. To retain their support, management must not ignore these concessions or any unobtained gains.

Due recognition must be given to this aspect by management.

In summary, there is the need to significantly develop employee communication and participation, as well as to recognize wage and benefit concessions, if an operation is to sustain support in a program to remain competitive in the industry.

ACKNOWLEDGEMENTS

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The National Shipbuilding Research Program is a cooperative effort of the Maritime Administration, the U.S. Navy and the United States shipbuilding industry. This research project was administered by Panel SP-5, Human Resource Innovation, of the Ship Production Committee of the Society of Naval Architects and Marine Engineers (SNAME). Frank Long, principal Consultant of the consulting firm of Win/Win Strategies, is the Chairman and Program Manager of Panel SP-5.

Panel SP-5 set the objectives for this report as follows:

The development and testing of ‘Gainsharing-Employee Involvement in a Shipyard/Assembly Yard’.

This project is part of an overall effort throughout Kaiser Steel's Fabricated Products Group to provide vehicles for better management/worker communication and greater employee participation in job-related decision making, as well as to recognize financial sacrifices made by the Employees. The process was started and has continued under the aegis of Kevin J. Reidy, President of Kaiser Steel's Fabricated Products Group.

Dr. Edward Lawler, Director of the Center for Effective Organizations at the University of Southern California, served as consultant for the process. We are grateful for his leadership and guidance. Dr. Lawler's associates, particularly Sue Mohrman and Joel Fadem, were very helpful during the program development and initial orientation phases. We especially appreciate the work of Mr. Fadem during the orientation and training phases. The ongoing assistance of Dr. Lawler and Joel Fadem have been most helpful.

The employee involvement process at Vallejo could not have worked without the cooperation and assistance of the Unions and Union Leadership which represent the hourly workforce. Representation at the yard is comprised of Boilermakers, Machinists, Painters, Laborers, Pipefitters, Teamsters, and Operating Engineers.

Invaluable, and certainly key to the union cooperation and participation, were Jack Sloan, International Vice President, and Len Beauchamp, Director of Research, both of the International Brotherhood of Boilermakers, Blacksmith, Iron Shipbuilders and Forgers of America.

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SECTION I

INTRODUCTION/OVERVIEW

Kaiser Steel Corporation is the West Coast's largest steel fabricator and producer of offshore drilling platforms. When it comes to the fabrication and assembly of offshore drilling vessels and specialized marine structures, Kaiser Steel has always been in the forefront. This pioneering spirit has its roots in the Company's early shipyard days when, in response to the nation's declaration of war in 1941 and President Roosevelt's call for shipbuilding of historic dimensions in support of World War II, seven Kaiser-managed shipyards containing 58 shipways rose in California, Oregon and Washington.

In these shipyards all the dynamics of materials flow, the rhythm of operations and the management of masses of workers came into play. Fast welding techniques all but eliminated laborious riveting and prefabrication became the order of the day. Kaiser's first Liberty Ship was delivered in 226 days, a new U.S. record, but records became commonplace. Keel-laying to-launching was progressively chopped down to but 27 days and in time freighters were being launched at the rate of one each day.

Following World War II, as the nation began moving toward the development of its offshore resources, Kaiser Steel, with sophisticated fabricating and waterside assembly facilities strategically located along the Pacific Coast, quite easily and logically made the transition from shipbuilding to the fabrication and assembly of a full range of offshore fixed leg and semi-submersible jackets and drilling structures as well as marine terminals.

Initially this offshore work was performed in an Oakland, California, facility utilizing building trades labor agreements with a composite crew system. Even though sub-assemblies were fabricated at the Company's inland Napa facility under shop wage scales and then shipped to Oakland for assembly, Kaiser soon realized that the Oakland facility was not competitive. Projects began to be bid entirely out of the Napa plant. Unfortunately, the waterways serving the Napa plant were not large enough to accommodate much of the work Kaiser was bidding on. Thus, in 1973, the Company opened the Vallejo Yard which is located some 12 miles downriver from Napa.

The Vallejo facility, occupying 40 acres and having a 750 foot long sea wall, is located on the deepwater

Mare Island Strait midway between the Napa plant and the San Francisco Bay and is ideal for final assembly of fabrications barged, trucked or shipped by rail to nearby Napa or other plants. Just across the strait from Mare Island Naval Shipyard, the Vallejo Yard has deep-water access to bay, ocean and the inland ports of Sacramento and Stockton.

The Vallejo Yard employs an hourly work force of from 250 to 300 people during peak operations. The work force is represented by seven craft unions, the largest of which is the International Brotherhood of Boilermakers. Labor relations over the years at the yard have been fairly good in spite of the close ties to Napa where a more classic adversarial relationship exists.

Like most shipyards, there is lack of permanence in employment as the work force tends to fluctuate with the volume of work at any given time. During the down periods the workers are generally able to secure employment at nearby shipbuilding and repair yards or in the oil refineries which require fluctuating levels of skilled workers for their periodic maintenance, new construction and renovation projects.

The unions that supply the craftsmen to the Vallejo Yard likewise service the other area shipyards as well as some of the refinery work.

As in other similar areas on the West Coast, this interaction between construction, shipyard, and shop work with different wage scales for each type of work has caused local wages to trend toward the highest scale to the point where, since 1982, in combination with a shrinking market and intense foreign as well as domestic non-union competition has caused the Vallejo Yard considerable difficulty in winning contracts.

In recent years there has been an explosion of interest in cooperative labor relations. Employee participation programs, gainsharing programs and joint union-management committees of various types have all received considerable scrutiny. Generally, a facility's initial involvement in such processes evolves during the negotiation process wherein the unions and management agree to contract language which enables the parties to pursue labor/management participation efforts.

Such was not the case at Vallejo. There the program was an offshoot of mid contract meetings between the Company and the Boilermakers union which were initi-

ated to exchange ideas on ways and means of improving the yard's competitive position. At a presentation before the Boilermaker International's Executive Council in 1984, the Company invited the Boilermakers International and other affected unions to join with it to help find a better way. The Company, jointly with the Union, engaged the Center for Effective Organization at the University of Southern California, to assist in developing a new approach. The end result of the subsequent proceedings was a negotiated addendum to the Vallejo Yard labor agreement providing for a Gainsharing-Employee Involvement Program. The addendum involved a

\$3.00 per hour reduction in wages for the hourly workforce, bringing them from an hourly wage rate of \$14.15 to \$11.15 on specific projects.

Additionally, the gainsharing agreement was designed to provide the employees with an opportunity of earning back the \$3.00 per hour or some portion thereof if the job was brought in "under bid" through increased productivity, or other savings in tools and supplies, and weld rod and paint.

The addendum (see Appendix A) was voted on and accepted by a majority of the Vallejo employees many of whom were on layoff status.

SECTION II

THE COMPANY'S PERSPECTIVE

Following agreement on the Addendum, a joint Union-Management Steering Committee was formed, along with a joint Design Committee, charged with custom-building a gainsharing plan for the Yard. While the Design Committee was attempting to develop a generic program, it also geared precise details of the plan to the upcoming 12-month job of building oil rig topsides for Chevron project "Hidalgo", scheduled for a July 15, 1985, start date. The reduced wage rates and gainsharing plan would be first implemented on this job. (See Appendix B for the Gainsharing Plan and Appendix C for a listing of the membership of the Steering & Design Committees.)

Meanwhile, Kaiser had successfully bid on the construction of skids and bridges for SOHIO'S North Slope venture (project "Endicott"), and work commenced on this 6-month job in February 1985. Although the provisions of the gainsharing addendum did not apply to this job, the opportunity presented itself to get started on developing employee involvement as a way to prepare the Yard for the full-blown Program to be introduced in July. Accordingly, a joint union-management Yard Committee was formed to oversee employee involvement activities.

TRAINING

With the start up of project "Endicott" in February, several 2-hour blocks of basic communication and problem solving training were presented to the Vallejo Yard supervisors under the direction of one of the consultants.

The Company, being aware that the attitude of the first

line supervisors in their day-to-day functioning would largely determine the success or failure of the Employee Involvement (EI) program, concentrated on enhancing several attitudes, traits and behaviors which would be critical to the program's success. These include egalitarian values, reciprocity in dealings with subordinates, willingness' to admit error and delegate responsibility, and maintenance to access of information.

Unfortunately, further training was delayed until April 1986 when six additional 2-hour blocks of training were provided.

The following month 12 yard employees were selected, or in some cases volunteered, to participate in 8 hours of problem solving training.

ORIENTATIONS

During project "Endicott" an extensive orientation program was developed to provide current employees and all subsequent hires with an indepth understanding of the new approach to be taken at Vallejo.

The orientation was truly an example of joint labor-management involvement and cooperation. Representatives from both the Boilermakers Union Local and International as well as the Yard Stewards participated in the sessions.

The orientation sessions were held on Company time, usually lasting approximately 4 hours and were conducted at a site away from the general work place.

WEEKLY MEETINGS

Supervisors began to hold weekly crew meetings to share operating information with workers, set weekly goals and raise job-related problems for quick resolution or referral.

Initially, the meetings were conducted by separate craft grouping. However, early into the "Hidalgo" project, as the result of employee suggestions, the format was changed to reflect cross craft participation. This not only helped to down play the traditional craft rivalry, but it also opened the lines of communication and thus facilitated elimination of problems and enhanced the productive efforts of all the employees.

The crew meetings were scheduled each Monday morning at the start of the shift and were generally preceded by a 10-15 minute safety discussion. Questions, problems and other noteworthy items were recorded by the crew supervisor or an assistant, whether or not they were fully addressed at the individual session. The items were then reviewed by the Yard Committee which met every Tuesday afternoon at the end of the shift.

The Yard Committee, which also reports to the Steering Committee, consisted of management and union representatives from the key operating areas of the yard. The committee was charged with the responsibility to monitor and guide the employee involvement efforts. The committee would review the employee suggestions, questions, and problems and if such had not been fully answered during the crew meetings, the Yard Committee would develop an appropriate response. The committee would also review the weekly gainsharing reports generated by the accounting group.

The minutes of the Yard Committee meeting, along with the supporting documentation, would become the basis for discussion at the next crew meeting, thus ensuring yard wide communication of the items and questions emanating from previous week's individual crew meetings.

TASK FORCE

Early in the "Hidalgo" project, problems developed over management and control of tools. Tools had be-

come the subject of much discussion, complaint and suggestion at the Monday morning crew meetings.

The Yard Committee appointed a Tool Management Task Force consisting of equal numbers of hourly supervisory employees and hourly craft employees who volunteered for the assignment. The Task Force, which would conduct its business on Company time, was charged with studying tool use and tool management problems and recommending solutions. The group immediately set about its task, seeking the input of yard employees, studying the complaints, and ultimately defining all the problems and costs connected with the issue. It then developed a plan with 10 specific recommendations which addressed the goals of (a) providing easy and quick access to tools, (b) facilitating easy repair and maintenance, (c) reducing tool theft and maintaining tool security and (d) providing adequate tool availability on both shifts.

The recommendations basically involved the switch from a single tool room operation, which caused considerable loss of production time due to its distance from the actual work site and which experienced regular traffic jams at shift start and end, to a series of satellite tool boxes and a portable tool room. The recommendations also addressed tool marking and identification as well as general yard security procedures as they relate to tool control.

After three weeks of diligent effort the Task Force presented their recommendations to the Yard Committee which, to say the least, was quite impressed with the thoroughness with which the Task Force had approached the problem. The recommendations were quickly approved by the Yard Committee and it was determined that the responsibility for implementation of the plan be given back to the Task Force. Once again the Task Force met the challenge and within two weeks all 10 of the recommendations had been implemented with immediately noticeable results.

As shown below and without consideration for savings due to reductions in lost/stolen tools, it was conservatively estimated that the Task Force's plan, costing approximately \$4200 to implement, generated savings of some \$2300 per week or \$108,000 annualized.

COSTS VS. SAVINGS

costs:

Purchase of KSC tool boxes.

1. Approximately	10 boxes at \$200	\$ 2,000
2. Locks	15 locks at \$10	150
3. Additional tooling	\$1000	1,000
4. Coding and inventory	\$100 at 10 One time cost	<u>1,000</u> \$4,150

Savings:

1. Stolen and broken tools	unk.
2. Manhours saved-40 grinders at 30 min. a day	\$ 200
3. Manhours saved-Helpers: Lead, hose, earplugs	200
4. Delivery and waiting for repair of tools/day	300
5. Repair of own tools (ex. air hoses, oiling, etc.)	<u>200</u>
	\$ 900/day
	or
	\$ 18,000/mo.
Net Savings-(Conservative estimate based on 1/2 of above figures)	\$ 2,250/week
	\$ 108000/year

Evaluation

The Vallejo Yard Accounting Department adapted its job reporting and data processing system to provide data needed for implementation of the Gainsharing Plan. Some of this information was compiled weekly so as to disclose on a timely basis accurate information on the Yard and sub-unit performance against the Plan.

In addition to operating information, attitude data were collected during the proposed project to check social and economic performance against stated objectives. The standing subgroup of the Design Committee and the Yard Committee worked with the consultants on this task.

Two attitude surveys as well as strategic interviews were conducted during the "Hidalgo" project. It is important to emphasize that the surveys were conducted and evaluated by the neutral outside consultants so as to encourage maximum employee participation and meaningful commentary. In addition to providing immediate insight into the strengths and weaknesses of the program, the survey results also served as a yardstick with which to measure effectiveness of future programs.

At the conclusion of the "Endicott" project in early July 1985, a survey was conducted to measure employee attitudes regarding Monday morning crew meetings, communications and trust between employees and supervisors and between employees and management. The return rate for this survey was 37% (36 out of 98

distributed questionnaires). The overall findings showed that responding employees believed that the Monday meetings were useful, that communications from management were satisfactory and that there was a low medium level of trust between workers and supervisors/management.

The first project "Hidalgo" survey occurred in November 1985, (see appendix D) approximately four months after the start of the project. Out of 138 employees, 81 returned completed questionnaires; this constituted a satisfying 59 % response rate. All 138 employees had attended an orientation detailing the "Hidalgo" project as well as the objectives of Employee Involvement and the means to achieve Gainsharing. Forty-four of the 81 responding employees stated they had previously worked at the Vallejo Yard on the 'Endicott' project and over earlier projects. By the time of the first survey, the employees who worked on the Endicott Project were well familiar with the workings of the Employee Involvement/Gainsharing Program.

This first "Hidalgo" survey focused attention on the three topics examined at the conclusion of "Endicott" and added understanding of Gainsharing. In relation to the "Endicott" results, the initial "Hidalgo" findings indicated a nearly across the board improvement in Program understanding and acceptance.

As work on "Hidalgo" came to an end, the second, and final, survey (see appendix E) was carried out in June-July 1986. This survey was flawed in that there was a substantial influx of recent new hires who, due to the press of the building schedule, did not get the benefit of an orientation on the Employee Involvement/Gainsharing Program. It became clear that the majority of these new hires did not attempt to complete a questionnaire due to unfamiliarity with the Program. Thus, of 373 forms distributed to active and recently laid-off employees, only 86 were returned for a 23 % response rate.

The final survey added the topic of Employee Involvement to the list of subjects previously polled. The findings of the second survey indicated that employees believed that (1) the Monday morning crew meetings were a useful means to find out about job progress and to get questions answered, (2) they were able to speak up and contribute at these meetings, and (3) supervisors (foremen) were effective in conducting meetings. The respondents also believed that there was medium to high trust generated between themselves and supervisors/management. On the other hand, only slightly less than half of the respondents stated willingness to return to work under another program based on productivity, gainsharing or profit sharing.

CONCLUSIONS

The Kaiser Steel Vallejo Marine Assembly Yard Gainsharing and Employee Involvement Program was a joint effort between the Company and the Union. It was designed to foster direct employee participation in all phases of Yard work activities. In this regard it represented a pioneer attempt in this industry to address the problem of boosting productivity in order to stay competitive.

There were a number of unique features of the Program which distinguished it from mainstream gainsharing applications:

- a. The gainsharing plan was designed and implemented in a multi-union environment. Typically, union-management gainsharing efforts have been undertaken in facilities with only one bargaining unit.
- b. The Program was applied to a constantly changing work force. Within the confines of the "Hidalgo" project, workers had to be phased in and out to meet construction requirements.
- c. The gainsharing plan was designed to accommodate a project-oriented process which does not have traditional manufacturing cycles. Another related aspect is the attendant uncertainty about subsequent employment when a given project is completed.
- d. Another unique feature is that this Program arose out of a union-management recognition of the need to address competitiveness in the industry during rather than at the end of the existing labor contract. With the exception of the program at Kaiser Vallejo, there have been no publicized instances of a productivity-based gainsharing plan accompanying reductions in wages and benefits. Typically, only profit sharing and employee stock ownership plans have been tied to negotiated wage, benefit and work rule cutbacks.

The ultimate goal of the gainsharing-employee involvement process was to build upon human resource innovation already underway at the Vallejo Yard and to further the creation and maintenance of a new workplace culture wherein employees are involved in the day to day decision making process, and thereby exercise some degree of control in the achievement of the gainsharing objectives.

The gainsharing-employee involvement process at Vallejo lasted only 12 months due to downturns in the market and the Company's inability to successfully bid for what little work was available.

During this brief period, however, the gainsharing plan did generate a mid-term gain of 6836 manhours

which resulted in a payout averaging approximately \$.45/hour worked or \$450 per employee.

Unfortunately, during the latter half of the Program, budget problems surfaced which made it apparent that no further payouts would occur under the gainsharing formula. At this point a Completion Bonus formula was inserted into the Program to partially offset the disappointment of no further gainsharing payouts.

In spite of the failed economic objectives which, in all reality were due to forces beyond the control of the immediate workforce, employee involvement, although obviously suffering due to the economic disappointment, did manage to maintain a positive result and definitely changed the people's approach to the job.

Analysis of survey findings, coupled with careful review of the Vallejo Yard Program's implementation, has resulted in these conclusions:

- * Lines of communications, going in both directions, can readily be established between employees and management given a mechanism which is visible and regularly conducted,
- * A program which shares productivity gains is possible and acceptable in a facility long inured in traditional and passive management-employee practices,
- * The level of success of a productivity based program is commensurate with the level of managerial and administrative support received from the sponsors of the program,
- * Employees are not adverse to participating in innovative programs provided that the objectives and means of achievement are clearly explained and carefully administered,
- * The value of surveys as a device to measure productivity based on program acceptance is dependent on employees becoming knowledgeable on the objectives and workings of the program.
- * Training of first line supervision needs to continue until all the supervisors have the tools to comfortably and effectively implement the program or are replaced by others who can, and
- * Administrative functions need to be streamlined so as to preclude the spending of inordinate amounts of staff and employee time on paper flow, accounting processes and overall meetings in general.

In summary, evaluation of the Hidalgo Employee Involvement/Gainsharing Program gave strong indications that in the search for "new ways of doing things" in the U.S. Shipbuilding and associated industry, an employee involvement-gainsharing program is definitely one means of breaking down the barriers, boredom and inefficiencies inherent in our traditional methods of human resource utilization.

SECTION III

THE CONSULTANT'S PERSPECTIVE by JOEL FADEM

This part of the report presents an analysis of selected items from the two employee surveys and comments on the Employee Involvement/Gainsharing Program from the viewpoint of the consultants. It is divided into three sections: data analysis, factors affecting the success of the program, and concluding comments.

SURVEY DATA ANALYSIS

Respondents who worked in Vallejo Yard before:

Employees who worked at Vallejo before were more inclined to view KSC management as committed to improving its employee relations, felt that gainsharing calculations were being made fairly and honestly, were more disposed toward working under some form of gainsharing again, and liked the completion bonus.

Table 1
Gainsharirg Honest

In Yard Before		NO YES	
		YES	14 51.9%
		NO	13 27.3%
			32 72.7%
		27 37.5%	45 62.5%

Table 2
KSC Committed to Improving
EE Relations

In Yard Before		YES NO	
		YES	23 47.9%
		NO	19 65.5%
			25 52.1 %
		42 56.0%	35 44.0%

Table 3
Work Under Gainsharing Again

In Yard Before		No Yes	
		YES	21 72.4%
		NO	25 52.1%
			23 47.9%
		46 59.0%	31 41.0%

Table 4
Like Completion Bonus

In Yard Before		Yes No	
		YES	18 75.0%
		NO	23 51.1%
			6 25.0%
		41 59.4%	28 40.6%

Length of Service in the Yard:

A relatively small number of employees (28 of 86 respondents) had worked in the Vallejo yard before the Hidalgo project. This group was evenly comprised of those who joined the Hidalgo project before the end of December 1985—the end of the first payout period—and those who were hired between January-July 1986. Those entering the yard before the first gainsharing payout felt the trust between workers and management

was lower than on previous Kaiser projects (Table 5). However, first payout recipients rated management higher in their efforts to make Employee Involvement/Gainsharing Program work (Table 7). Also, recipients of the first payout were more inclined to like the Completion Bonus Plan (Table 6).

Our interpretation of the lower trust finding among many pre-December entrants is that they had felt “burned” when their first payout wasn’t followed by a second. There is evidence to suggest that perceived trust had deteriorated since December among this group of workers. In December, 12% of them reported overall trust to be worse, compared with nearly 62 % in the final survey. Nevertheless, in rating Kaiser management higher in their efforts to make the program work, they were acknowledging that the Company was trying. Regarding the last finding on the Completion Bonus Plan (Table 6), perhaps those “invested” in the gainsharing program (i.e., those who were around for the first payout) were glad to see something come out of the second period.

Table 5
Trust

Service	Employed end of December to July '86	Better	Same	Worse
		5 33.3%	6 40.0%	4 26.7%
	Employed before end of December	2 15.4%	3 23.1%	8 61.5%

Table 6
Completion Bonus

	Like	Dislike	
	December to July '86	51.2%	48.8%
	Employed before End of December	17 77.3%	5 22.7%

First payout recipients rated management “first rate” or “fairly good” in trying to make Employee Involvement/Gainsharing Program work: 46.4% compared with 27.7% who joined the Yard later.

Table 7
Management Rating on Employee Involvement Implementation

	Very Poor	Not Too Good	Passable	Fairly Good	First Rate
December to July '86	28 59.0%	6 12.8%	13 27.7%		
Employed before End of December	11 39.3%	4 14.3 %	13 46.4%		

Employee Involvement/GainSharing Orientation

Following are noteworthy results on the impact of attending the orientation sessions:

		Table 8		
		Informativeness of crew meetings on job progress:		
		Negative	Middle	Positive
Attend Orientation:	Yes	22 38.6%	15 26.3%	20 35.1%
	No	7 25.0%	4 14.3 %	17 60.7%

		Table 9		
		Satisfaction with Information Dissemination:		
		Negative	Positive	
Yes	36 63.2%	21 36.8%	57 67.9%	
	10 37.0%	17 63.0%	27 32.1%	

		Table 10		
		Comparative trust to previous Vallejo jobs:		
		Better	same	Worse
Yes	5 18.5%	10 37.0%	12 44.4%	
	4 66.7%	1 16.7%	1 16.7%	

A possible explanation for the above: The orientations raised people's expectations about Tables 8 and 9 above. Therefore, they were more critical when the program failed to fulfill them. This may also account for the result in Table 10.

		Table 11	
		Work Under Gainsharing Again	
		Yes	No
Yes	34 65.4%	18 34.6%	
	12 48.0%	13 52.0%	

		Table 12		
		Rate Management on E.I. Implementation		
		Low	Medium	High
Yes	25 44.7 %	7 12.5%	24 42.8%	
	15 62.5%	4 16.7%	5 20.9%	

Possible explanation: Those attending orientations were more positive in their perceptions of KSC management trying to make program work.

However, there was no difference between orientation/non-orientation groups in their overall satisfaction with how Employee Involvement was implemented, and no difference with respect to whether gainsharing was being managed honestly.

There was an obvious high correlation obtained between the orientation and employee understanding of the gainsharing plan:

		Table 13	
		Understand the Plan	
		Yes	No
Attend Orientation	Yes	51 91.1%	5 8.9%
	No	15 57.7%	11 42.3%

GAINSHARING CALCULATIONS MADE FAIRLY AND HONESTLY

A key finding associated with many of the other results concerns the extent to which employees felt the gainsharing calculations would be handled fairly and honestly. Those who felt this to be the case also tended to hold more positive views about the following: (we do not suggest causality between this variable and the others—only the presence of an internally consistent pattern)

1. Crew meetings were informative.
2. Crew meetings answered their questions.
3. Crew meetings solved problems.
4. Could speak up at crew meetings.
5. Foremen listened to their ideas.
6. Management considered their ideas.
7. Satisfied with information dissemination.
8. More positive about overall E.I. implementation.
9. More positive about quality of yard management.
10. More positive about union-management cooperation.
11. Would work under gainsharing again.
12. Do not see trust level worse now compared to previous Vallejo jobs.
13. Feel they can speak up at meetings.
14. See KSC management committed to changing employee relations style.
15. Less negative about union role in implementing Employee Involvement.
16. Less negative about management effectiveness in implementing Employee Involvement.
17. Like the Completion Bonus.

In contrast, those viewing gainsharing calculations as dishonestly handled were also more inclined to indicate training as a desired improvement in future programs:

		Table 14 More Training Next Time*	
		No	Yes
Gainsharing Honest:	No	24 53.3%	21 46.7%
	Yes	22 84.6%	4 15.4%

More members of this group also named or checked another category for desired improvements in future programs.

		Table 15 Checked "Other" Category, Desired Improvement*	
		No	Yes
Gainsharing Honest:	No	28 62.2%	17 37.8%
	Yes	23 88.5%	3 11.5%

*Statistically significant

Finally, there were statistically significant relationships between perceptions of gainsharing honesty and higher trust ratings between employees and supervisors, and employees and yard management.

As a caveat, it is important to note, however, that perceptions of gainsharing honesty were held by only a minority group:

		Table 16 Gainsharing Honesty	
		No	(%)
	Yes	26	(30.0%)
	Answer unclear	15	(17.0%)

WILLING TO WORK UNDER GAINSHARING AGAIN

Compared with the question on the perceived honesty of the gainsharing calculations, more respondents were positive: 46 employees would work under gainsharing again in some form, 31 would not. Those employees who would work under gainsharing again also were more positive about the following:

1. Crew meetings were informative.
2. Crew meetings answered their questions.
3. Crew meetings solved problems.
4. Perceived supervisors as effective in crew meetings.
5. *Spoke up at crew meetings.
6. Felt foremen listened to their ideas.
7. Felt management listened to them.
8. Satisfied with information dissemination.
9. More positive about management on E.I. implementation.
10. Higher trust levels between employees and supervisors.

11. Higher trust levels between employees and management.
12. Rated supervisory quality higher.
13. Rated management quality higher.
14. Less apt to say that trust levels on this job were worse than previous Vallejo jobs.
15. Degree of union-management cooperation.
- 16.*KSC commitment to changing employee relations style.
- 17.*Union trying to improve relations with KSC.
18. Union trying to make program work.
19. KSC management trying to make program work.
- 20.*Like the completion bonus.

A significant number of respondents who did not wish to work under gainsharing again checked training in problem solving and communication as necessary in future employee involvement programs. These respondents also checked and wrote something in the "other" category for suggested improvements.

*Statistically significant

ATTITUDE CHANGE BETWEEN NOVEMBER '85 (BEFORE FIRST PAYOUT) AND END OF JOB (JUNE/JULY '86)

Identical questions were asked in November and June on the following subjects:

- Informative crew meetings
- Crew meetings answer questions
- *Crew meetings solve problems
- Supervisor effectiveness in meetings
- Able to speak up
- Satisfaction with information dissemination
- Trust supervisors
- Trust management
- Comparison of trust to earlier jobs
- Union-management cooperation
- *Understand gainsharing payout
- Gainsharing calculations honest
- Did not voice an idea
- KSC committed to style change
- Union committed to improving relations

Attitudes deteriorated in all of the above by June, except those marked by an asterisk (*)—some dramatically.

B. FACTORS AFFECTING PROGRAM SUCCESS

Following are the factors which undermined the success of the Program:

1. The Employee Involvement/Gainsharing approach was initially explored in connection with a

“greenfield” start-up at Terminal Island to build the “Gail” and “Hidalgo” jackets: this bid was not successful and the work was awarded to a Japanese steel fabricator. (Subsequent anti-dumping and countervailing duty suits filed by the Company and the Union against Korea and Japan ultimately proved that fabricators in those two countries were unlawfully dumping offshore platform jackets in the United States.) If KSC had been successful, the potential existed to hire new supervisors and build a fresh management team. Yard and project managers could have been assigned partly on the basis of their capacity to manage in alternative, more participative ways.

Under the circumstances it is difficult to say whether this “vision” would have been realizable. In any event, the Company and Union were presented with the “Endicott/Hidalgo” opportunity in Vallejo and needed to be pragmatic. Going in, the upfront limitations of Vallejo-traditional management supervision, a demoralized work force—though serious, did not seem intractable. Much hinged on the will and ability of local yard management to take hold of gainsharing/employee involvement as an opportunity to manage more effectively.

Top management of the Fabricated Products Group was strongly committed to the Program. It viewed this approach as a model to be improved and built upon in future projects. They defended the Program from corporate officers and company owners with diverse and competing interests. The President of the Fabricated Products Group played a key role here. He remained supportive throughout the Program. When it became evident that a second payout was impossible, he succeeded with his superiors in securing the Completion Bonus Plan for the Yard. He had a great deal of credibility with employees at all Group levels.

In general, (as we perceived it) yard management, concerned and well-meaning as it was, lacked a shared vision that the work and corresponding relationships needed to be managed differently and that this would require considerable effort. Related (again as we perceived it) was the assumption by yard management that somehow the monetary incentive aspect of the gainsharing plan would exclusively save the day.

Finally, it should be noted that attempts were made to jointly consider work redesign options at Vallejo that would more strongly support teamwork and employee involvement objectives. However management concluded that there were no feasible alternatives to the organization of work for the “Hidalgo” project which was already well underway and facing an inflexible delivery schedule.

2. Local management commitment: It is important to note that yard-level management was at a disadvantage relative to upper management in their readiness to implement gainsharing. The latter group had worked through a substantial learning and trust-building period with their union counterparts. They had developed a more complete appreciation of the program elements and shared sense of readiness. Yard-level management did not have this experience, yet was expected to move quickly on the implementation front. The previous “Endicott” project was intended to be as a pilot program for employee involvement, but this opportunity was not fully exploited at yard management level from a learning and commitment building standpoint. As a consequence, yard management and supervisors were not ready to give the concerted attention needed for this time-bound program.
3. Training: Insufficient training of supervisory and hourly employees was the most serious flaw in the implementation in this Program. Training in communication and meeting skills and problem solving has been widely demonstrated to be essential in any successful employee involvement effort. Sixteen hours of basic communication and problem solving training was presented to Vallejo supervisors in February-March 1985, at the startup of “Endicott”. The consultants urged that similar and more lengthy training be conducted during the startup phase of “Hidalgo” (July 1985), and extended to hourly employees as the job built up. This turned out to be especially propitious because late steel deliveries had delayed the full pace of project startup. Despite the consultants’ urging relative to the need for training, this was not acted upon until very late in the project. Although an anticlimax, the training, consisting of five 2-hour sessions and one 75-minute session was well received by the supervisors. Many of them noted in evaluations that it should have been conducted earlier in the job. In May, eight hours of problem solving trianing was provided to 12 yard employees who either were nominated or volunteered. This training was also very well received.
4. Information sharing: Management committed in good faith to share revelant bid and operating information on “Hidalgo” with yard employees and to keep them abreast of business developments generally. This was generally well executed but became problematic at a critical time when management unilaterally stopped the weekly reports for reasons discussed below.

Much thought, effort and time investment went into providing orientations to new yard employees on

gainsharing, employee involvement, business conditions and the “Hidalgo” project. These sessions were well received, but were discontinued in March when the influx of new employees exceeded budget estimates and time pressures intensified. This meant that large numbers of the work force did not have a balanced context in which to place their reduced pay scale. A key component of information sharing was the weekly job progress reports. Management appears to have tried very hard to produce this information on a timely basis. The high number of customer change orders and interplant backcharges made up-to-the-minute weekly reporting impossible. Yard management was under-resourced in technical staff to prepare weekly reports. Somehow these complex reports got done. The purpose of this feedback was twofold: to communicate results to employees for their own sake, i.e., to raise employee awareness about the job and to prompt employees to question and discuss how performance could be improved.

Moreover, because of the lags in factoring-in change order allowances, backcharges, etc., some employees perceived discrepancies between actual and estimated data, while others, unaware of the backcharge lag, perceived the weekly estimates as up-to-date. This created confusion and skepticism. The low point was reached when management unilaterally stopped the weekly progress reports for several weeks because it felt they were too misleading. Unfortunately, this created the suspicion among employees that management was cooking the books. There was ample evidence around for any employee who noticed that the job was not going well. Stopping the weekly job reports was very conspicuous and created unnecessary bad will.

5. Committee performance: A well-structured set of overlapping committees worked diligently throughout the project. The Steering Committee met regularly (4-5 week intervals) and attained a high level of trust, candor and cooperation. Aside from oversight of the Employee Involvement/Gainsharing Program, it provided a forum for members to coordinate their respective efforts on legislative and related matters concerning fair and unfair foreign competition. The Design Committee also worked effectively throughout its existence. Having created a gainsharing formula and principles for administering it, the committee effectively applied them to some difficult issues which emerged during the project; e.g., how to handle a “make-ready” man-hour overrun.

The Yard Committee’s experience was mixed. The committee became a captive of the employee involvement process it set up. Much of this was because the

supervisors continued to refer items to the Yard Committee rather than clarify and work them out at me grass roots. Ironically, the Committee’s perceived ineffectiveness resulted from the often poor-quality input it received from employees. It is important to add that there were many useful and important suggestions and ideas which did surface at the crew meetings.

These were often acted upon or investigated further by the Yard Committee, and employee groups were recognized for their contributions. The committee itself generally achieved high levels of candor and openness.

6. Union Issues: The Unions—principally the Boilermakers—were in a very difficult position. The work force, most of whom had not voted on the pay cut, was embittered. The confusion around pay cuts linked to gainsharing as an “investment” created confusion throughout the job. Given this context, many workers appeared to be bitter about paying union initiation fees and dues, and miscast the Union as not shaking equitably in the sacrifice. By the job’s end, a majority (58%) felt the Union leaders were trying to improve relationships with management, but 56.3 % also rated Union leaders “very poor” or “not too good” in how well they performed in the Program. There was a serious commitment at all Union levels to making the Program work. Local leadership, like management, was stretched very thinly, which hampered its ability to be visible and proactive in the yard.

C. CONCLUSIONS

This was the first attempt ever documented of a gainsharing program in a project-oriented environment. Each offshore marine fabrication project has its own idiosyncrasies and, although much commonality exists across projects in terms of production processes, estimating methods vary widely with unique customer requirements. Accordingly, a delicate balance must be struck between previous project cost histories and judgement of prospective project needs. The consultants and the union relied heavily on KSC’S initial confidence that the “Hidalgo” bid had realistic manhour and cost estimates. Although there were other important causes of eventual cost overrun on this job, a serious flaw existed in the initial cost estimates.

There were intense pressures at the beginning of this Program for both the Union and Management to downgrade the serious constraints of a gainsharing program because of their commitment to the

workforce to provide the Program in order to balance the pay concessions and help the Yard survive. There was, therefore, a compelling need to have an Employee Involvement/Gainsharing Program which went beyond the capacity and will of Yard management to make it work. Much of the interference was beyond its control, but a good deal of it was not. We perceived that management relied too heavily on monetary incentives as the sole driver of improved employee performance. The union appeared to realize more fully the importance of a problem solving employee involvement model as the primary mechanism for generating cost savings and corresponding financial rewards.

The consultants were sensitive to the acute financial and competitive difficulties of KSC, and the Unions' concern for re-employing its members. It was a high risk plan from the beginning. It broke new ground, was a pioneering venture, and in many significant respects the parties functioned admirably, particularly the Steering and Design Committees, in being faithful to their intent.

Although there were problems with first level supervisors taking hold of the program, with a few excep-

tions, many could have been helped through training. The training that did occur revealed that many supervisors in the Yard had what it took, potentially,—a few, actually,—to manage participatively.

It is unfortunate that the substantial learning derived by both the Company and the Union from the "Hidalgo" Employee Involvement/Gainsharing Project could not be carried forward and applied on a more systematic basis to subsequent projects at the Vallejo Yard.

Given the tone and content of the open-ended questionnaire responses in June/July, perhaps the most interesting question from a research point of view is: "Why did employees perceive the glass as half-empty?" Without the pay cuts, the Hidalgo job would not have been in the Yard. For many, this would have almost certainly meant unemployment. Many employees hired in at the \$11.15 wage rate with 'their eyes open' and the possibility of earning more. Why did people not choose to perceive the project, overall, more favorably? We would need more information than we have about prior history to begin to answer this.

SECTION IV

A UNION PERSPECTIVE by LEN BEAUCHAMP

The International Brotherhood of Boilermakers, Iron Ship Builders, Blacksmiths, Forgers & Helpers had been concerned about the problems facing the metal fabricating industry, in general, for some time and were exploring ways to deal with the problem. The number of members in our metal fabricating sector, which includes the shipbuilding and marine industry was steadily declining. We were witnessing the closure of plants and shipyards throughout the country. In addition, the number of manhours worked by our construction members, who erect products fabricated in the shops represented by members in the metal fabricating industry, was also declining. We were particularly concerned about the apparent lack of ability by employers having labor agreements with our Organization to secure fabricating and assembly work associated with the offshore drilling industry.

Prior to the negotiation and establishment of the Employee Involvement/Gainsharing Program at the Kai-

ser Vallejo Yard, the International Brotherhood of Boilermakers and Kaiser had attempted to develop a labor agreement which would enable Kaiser to competitively bid on the "Gail" and "Hidalgo" jackets. During this interval, the Union and Company discussed all aspects of the bidding process, which enabled the Union to become more familiar with the process and its various components. While the parties were unsuccessful in securing the "Gail/Hidalgo" project, it provided both parties with a valuable learning experience. The "Eureka" project was awarded to foreign bidders, who substantially underbid Kaiser. The bid review process and follow-up on the "Gail/Hidalgo" project gave both the Boilermakers' Union and Kaiser Steel's Fabricated Products Group an opportunity to analyze the foreign competition and their bidding practices. The loss of the "Gail/Hidalgo" project to foreign bidding reinforced the conclusion of the Company and the Union that foreign bidders were using unfair trade practices. This, however, did not dampen either party's hopes of

developing an alternative approach to securing work in the industry. It merely strengthened both parties resolve that we must find a way!

Based upon a review of the upcoming available projects, the Company and Union decided to develop a program at the Vallejo facility. The Vallejo facility provided us with a number of ingredients necessary for the program's success. It was an established facility with a trained work force and an existing labor agreement between the Boilermakers' Union and the Company. It also was a typical example of the problems facing the industry. Kaiser had attempted unsuccessfully over a period of more than one year to secure work for the facility. It had submitted a number of bids to secure work for the facility and was unsuccessful in securing any substantial amount of work. Therefore, all employees had been laid off and operations temporarily suspended.

There were three major goals for the Union in approaching the Employee Involvement/Gainsharing Program. The first was to provide an opportunity to secure employment for our members. We were also interested in developing an alternative approach to the market forces in the metal fabricating industry, in general, and the marine fabrication industry, in particular. In addition, both parties recognized that in order to deal with some of the market forces, especially the unfair foreign competition, it was necessary to work together in areas other than collective bargaining.

While there were no bargaining unit employees currently working at the Vallejo facility, there was a labor agreement in place providing for wages and benefits through April of 1986. Based upon a review of the upcoming projects available for bid, the Union recognized that in order to have a realistic expectation of securing any of those projects, the labor costs resulting from the provisions of the agreement would have to be reduced. We determined that any reduction in labor cost should come off the wage rates so that we would be able to maintain the benefit package under the agreement. Recognizing that we were approaching the development of this program on a long-term basis, it was apparent that provisions would have to be made to extend the labor agreement in the event any of the projects secured would go beyond the termination date of the agreement. This would assure us of uninterrupted production during the term of any project.

The leadership of the Union, both the International and the Local Lodge, were interested in using the Vallejo experience as an opportunity to develop an alternative approach to the problems being encountered by both management and labor in the metal fabricating industry. Many employers, who had labor agreements with our Union, were not being successful in securing work and

our members were being laid off through reductions in forces and permanently losing their jobs through plant and yard closings. The leadership of our International Union felt very strongly that they had a responsibility and obligation to explore various ways and methods in order to develop a plan to combat this disturbing trend, which was eliminating the employment opportunities for our members.

We recognized that any strategy to combat this disturbing trend had to have a number of components. The first being a short-range component to provide employment opportunity to our members and stem the tide of reductions in forces and facility closings. It also needed a mid-range approach to provide some realistic expectation of maintaining employment for more than one project or a short period of time. And, finally, it needed a long-range strategy to deal with the foreign import and competition problem, which was plaguing the industry.

The successful bid on the "Hidalgo" project satisfied not only the short-range objective to provide immediate employment for the facility, but it also gave the parties an opportunity to develop a program which could be utilized at this and other facilities to provide a more secure opportunity for employment of our members.

The structure utilized in the Employee Involvement/Gainsharing Program provided the Company and the Union an opportunity to begin to approach some of the longer range problems facing the industry. It was obvious from the onset that, in order for this Program to be successful, it would be necessary for both parties to work on a cooperative basis to mutually attack the problems confronting both labor and management in the industry. We developed a structure which allowed for input at various levels in the overall labor/management relationship.

The Steering Committee, which was made up of top management (The President of the Company's Fabricated Products Group, the Manager of Industrial Relations and various department heads of the Company) and top Union leadership (International Vice-President, Director of Research and Collective Services, International Representative and Business Agents of the Local Unions). In addition, the parties felt it would be necessary to bring in an independent third party in the form of consultant to assist us in our efforts. This Committee developed the goals and established parameters of the Program. It also provided a forum for the leaders of both the Company and the Union to discuss, analyze and explore solutions to the various problems facing the industry. It was through the discussions within this Committee that the parties cooperatively provided support at the Federal level for the Bosco Amendment which would require domestic fabrication in offshore drilling rigs. The

discussions at the Steering Committee meetings were also the catalyst for the Union and Company jointly entering into anti-dumping and countervailing duty suits against the Japanese and Korean manufacturers, who were drastically undercutting domestic bidders in the industry.

The Design Committee was comprised of some members of the Steering Committee, other Company and Union personnel selected by the respective parties, and members of the consultant team. This Committee designed the Gainsharing Plan and formulas. They were also given the task of developing the completion bonus. This committee handled, on an ad hoc basis, issues regarding the implementation of the Program referred to it by the Steering Committee.

The Yard Committee, made up of members of the Union and Company at the facility level, implemented the Employee Involvement/Gainsharing Programs at the Vallejo Yard. This Committee also provided an effective channel of communication to the Steering and Design Committee.

The Crew Committees, comprised of the first line supervision and the bargaining unit employees, had weekly meetings to review the progress of the project and discuss the upcoming work for the ensuing week. This Committee was also the major employee involvement component of the Program. The meetings were open to the employees to suggest better methods and ways of improving productivity on the project. They were also used to select members of task forces to tackle various problems confronting the fabrication and assembly process.

In retrospect, the Union feels that the major goals sought at the beginning of the Vallejo project have been met with varying levels of success. Together the Company and Union were successful in providing employment for over 200 workers during the approximate 12 month period of the project. The gainsharing plan, including the employee involvement component, pro-

vided an opportunity for a return on the investment made under the Gainsharing Addendum to the Labor Agreement. The employees were able to improve on the hours bid during the first half of the project and a pay out was realized under the Program. The employee involvement component, while the least successful part of the Program, nevertheless did produce a number of efficient and effective methods and work practices which contributed to the overall success.

The structure developed to establish and implement the Program also provided the forum which enabled labor and management to discuss methods to deal with the market forces and other problems affecting the industry. This forum led to the cooperative approach in supporting the Bosco Amendment and in successfully prevailing on the countervailing duty and anti-dumping suits against Japan and Korea.

The Union has also utilized the experience gained in developing this Program in its effort to develop and implement other similar type programs within the shipbuilding industry. We were able to negotiate gainsharing programs at two Northwest shipyards, based upon the concepts embodied in the Vallejo Employee Involvement/Gainsharing Program. Both of these programs have provided in excess of 300 jobs for members of our Organization. The Union has also explored other gainsharing approaches, which include negotiation of Improshare Agreements in our forging industry.

The Union feels the efforts made by both labor and management in developing the Employee Involvement/Gainsharing Program at the Vallejo facility have paid large dividends to the Union in employment opportunities for our members, developing effective cooperative approaches with management to combat foreign competition in both legislative and trade practice areas and has given us a basis for developing other programs in the marine industry.

APPENDIX A

ADDENDUM TO THE AGREEMENT

between

**KAISER STEEL CORPORATION VALLEJO MARINE MANUFACTURING AND
FABRICATING FACILITY, VALLEJO, CALIFORNIA**

and

**BOILERMAKERS LOCAL #6, LABORERS LOCAL #326, MACHINISTS LOCAL #1492,
OPERATING ENGINEERS LOCAL #3, PAINTERS LOCAL #1176,
TEAMSTERS LOCAL #490 and UNITED ASSOCIATION LOCAL #38**

EFFECTIVE MAY 1, 1983 THROUGH APRIL 30, 1986

1. SCOPE OF THE ADDENDUM

This addendum applies to work performed on the following projects which will be bid, awarded and scheduled to be completed at the Vallejo facility on or about the dates specified, hereinafter called the project(s).

<u>OWNER</u>	<u>PROJECT</u>	<u>BID DATE</u>	<u>AWARD DATE</u>	<u>SCHEDULED COMPLETION DATE</u>
Exxon	Shamrock Jacket	2/04/85	5/185	6/86
Exxon	Shamrock Decks	2/04/85	5/85	7/86
Chevron	Hidalgo Decks	2/19/85	4/85	5/86
Chevron	Esther Island Jacket	1/21/85	2/85	7/85
Chevron	Esther Island Decks	1/21/85	2/85	7/85
Chevron	Esther Island Piles	1/21/85	2/85	7/85

2. Unless specifically set forth herein, the work performed on the above projects shall be in accordance with the terms and conditions of the Agreement between Kaiser Steel Corporation Vallejo Marine Manufacturing and Fabricating Facility, Vallejo, California, effective May 1, 1983 and its signatory Unions hereinafter referred to as the Unions.

3. PERFORMANCE OF THE WORK AND RECOGNITION AT OAKLAND, CALIFORNIA

Should Kaiser Steel Corporation, hereinafter referred to as the Company, be awarded any of the above projects based on bids utilizing the rates, fringes and conditions of this addendum, the Company agrees to perform such work at the Vallejo Facility unless the volume of work requires them to utilize additional facilities.

In the event the Company performs any work covered under the scope of this addendum at the Oakland, California yard, the Company agrees to recognize the Unions signatory to this addendum and apply this addendum and the Vallejo Agreement to such work.

4. RATES OF PAY

The wage rates currently in effect in the Agreement, including cost-of-living adjustments, will be reduced by \$3.00 per hour to:

\$11.15 Journeyman \$9.56 Helper \$8.55 Helper

These rates shall remain in effect for the term of this addendum. General wage increases and cost-of-living adjustments provided for in the Agreement effective after the date of this addendum shall not be paid for work performed under this addendum.

5. GAINSHARING PROGRAM

It is agreed, should the Company perform work under this addendum, that a gainsharing program shall be developed by the parties, incorporating the following concepts presented and discussed at the January 14, 1984 negotiating meeting.

- . The program shall apply to employees (bargaining and non-bargaining unit) who have an impact on the project's controllable costs.

- Any gain derived under the program shall first be used to restore the wage reductions and freeze in fixture increases and cost-of-living adjustments referred to in item 4.
- Standards used as a basis to measure any productivity increases from which any gainsharing is derived will be based on historical Kaiser Steel standards for such work.
- The gainsharing schedule shall be designed to provide a payout based upon mutually agreed to measurement periods during the duration of the project with a portion of the payout to be held in a reserve fund. Upon completion of the project any amount remaining in the reserve fund shall be distributed to the employees on the same basis as the payments made during the measurement periods.
- Items to be included in the controllable cost category used in developing the gainsharing program shall be mutually agreed to and include costs which can effectively be controlled by participants in the program; i.e., labor, materials and supplies.
- The program shall provide for a system of employee involvement in the production process.
- Administration of the program shall be by a joint (Union and Management) structure.
- The Unions shall have access to any and all information necessary to effectively develop and administer the program.
- Participants in the program shall be provided with information and training on the concepts and mechanics of the program.

6. HIRING

Satisfactory and competent employees will be furnished in accordance with the provisions the Agreement and this Addendum within forty-eight (48) hours (not including Saturdays, Sundays and holidays) of the time they are requested if they are available, and in the event they cannot be or are not furnished within such period, the Company may employ any person but shall arrange for a dispatch to be obtained for him from the appropriate Union within twenty-four (24) hours of the commencement of such employment and such dispatch shall, upon request, be issued to the employees.

7. DURATION

This Addendum shall be effective for the term of any project performed under the Addendum. It is further agreed that should a project's completion date be after the termination of the Agreement, the Agreement shall be extended until the completion date of the project.

/s/
BOILERMAKERS LOCAL LODGE 6

/s/
TEAMSTERS LOCAL LODGE 490

/s/
LABORERS LOCAL LODGE 326

/s/
UNITED ASSOCIATION LOCAL LODGE 38

MACHINISTS LOCAL LODGE 1492

/s/
KAISER STEEL CORPORATION-VALLEJO, CA

/s/
OPERATING ENGINEERS LOCAL LODGE 3

/s/
KAISER STEEL CORPORATION-VALLEJO, CA

/s(
PAINTERS LOCAL LODGE 1176

APPENDIX B

GAINSHARING PLAN KAISER STEEL, VALLEJO YARD VALLEJO, CALIFORNIA

ARTICLE 1 ELIGIBLE EMPLOYEES

All direct and indirect hourly employees and salaried employees located at the Vallejo Yard, who can impact upon the productivity of projects covered by the Plan. The salaried positions are to be agreed upon by the Design Committee on a project by project basis, these positions and the incumbents are included as Appendices to the Plan. Salaried employees may be added to or deleted from the appropriate Appendix upon agreement of the Design Committee. Hourly employees must work at least one (1) shift to be eligible. Salaried employees must work at least one month to be eligible.

ARTICLE 2 GAIN-HOURS INCLUDED COMPANY/WORKER SPLIT

Gains derived under the Plan shall be distributed exclusively to eligible employees until the total gain per hour amount equals the employees investment, which shall be comprised of the initial investment and deferred general wage and cost-of-living increases. The gain per hour over this amount shall be shared by the workers and the Company on a 50/50 basis.

The hours included in the Plan, which comprise the manhour base, are all hours paid in the following categories: direct labor hours, overhead hours based on actual hours paid except for salaried employees covered by the Appendices who will be paid 173 hours per month (prorated periods less than one (1) month shall be calculated on the basis of a 40 hour week), vacations, holidays, and time spent in gainsharing training and meetings.

Payments to individual employees will be computed as the gain per hour times the number of hours paid to each employee. No gainsharing check will be written for less than a \$5.00 gross amount. Any gainsharing due the Company will not be paid until the end of the project.

ARTICLE 3 COVERED COSTS

—Direct Labor Hours (Based upon actual hours worked.)

Example: Total Hours Budgeted (Adjusted for rework and change orders.)
(minus) Total Hours Worked

Equals-Hours gained x \$11.15 =pool (Labor Hours Component)

—Took and Supplies

(Tools, Supplies, and Labor for Toolroom)

Example: Budget = \$1 .50 per Manhour Estimated/Budgeted
(minus) Purchases

Positive Balances Go into Gainsharing Pool

Negative Balances are not Deducted from the Gainsharing Pool

—Weld Rod

Example: Budget
(minus) Purchases

Both Positive and Negative Balances Go into the Gainsharing Pool

—Paint

Example: Budget
(minus) Purchases

Both Positive and Negative Balances Go into the Gainsharing Pool

ARTICLE 4 GAINSHARING CALCULATIONS

Section 1 Interim Calculations:

- (A) Hours Gained =Standard Hours (minus) Actual Hours
- (B) Bonus Pool=Hours Gained x \$11.15
- (C) In the event there is a positive bonus pool, **70%** of that pool will be paid out to the employees and 30% will be held in a reserve fund.
- (D) **Gain per Hour=Bonus Pool x 70% ÷ Manhour Base**
Each employee receives the gain per hour times the number of hours that employee was paid during the period of time covered by the interim calculation. Salaried workers are assumed to have worked 173 hours per month.
- (E) In the event the bonus pool is negative in a particular adjustment period, that whole amount is transferred to the reserve account and would either be carried as a negative amount in the reserve account or would be used to offset any positive amount in the reserve account.

Section 2 Final Computations:

- (A) Interim labor computations are made, as above, to cover the periods to the end of each project.
- (B) Gains are computed for tools, rod, and paint by comparing actual usage with the standard. Positive or negative amounts for rod and paint are transferred to the reserve account. Only positive balances for tools are transferred to the reserve account.
- (C) Positive balances in the reserve account are distributed in accordance with the coverage provisions and the employee and Company split. Negative balances are absorbed by the Company. Final distribution of the reserve account is based upon the entire amount of hours in the manhour base for that project and paid to all workers on the project based upon the number of hours worked by each employee on the project.

Section 3 Provisions for the Splitting of Reserve Account Between the Employees and the Company:

- (A) The provisions of this Section shall not be applicable until the employees receive gain per hour amounts that, in the aggregate, equal the initial wage investment, any deferred general wage and COLA increases. Thereafter, any amount in the reserve account shall be split on a 50/50 basis between the workers and the Company.

Section 4 Payment Provisions in the Event of Multiple Projects in the Yard:

- (A) Should there be more than one project in the yard, the computations for each project will be computed separately as indicated in Sections 1, 2 and 3 above. Positive gains on one project shall not be used to offset negative gains on another project. The gain per hour on any given project shall be calculated by dividing the bonus pool available for distribution by a manhour base which includes all hours paid for all eligible employees working on all projects in the yard. The resulting gain per hour shall be distributed to all eligible employees on the basis of the number of hours they were paid during the period.

ARTICLE 5 PAYMENT PERIODS

The timing for the payment periods shall be determined by the Design Committee on a project by project basis. For the Hidalgo project, an interim payment will be computed on December 31 and a final payment will be computed at the end of the project. Checks will be issued within one month of the date of the computation for the final interim (labor) bonus pool and within 60 days for the reserve fund bonus pool.

ARTICLE 6 PERFORMANCE COMMUNICATION

Employees covered by the Plan will be informed of the items that compose the gainsharing formula. Performance on the projects will be measured, at specified periods, during the project and reported as a percentage of budget to actual hours worked. In conjunction with the final computation, employees will be advised of the productivity percentage on each individual component of the formula. This percentage will be the budgeted divided by the actual amounts.

ARTICLE 7 EMPLOYEE INVOLVEMENT COMPONENT OF GAINSHARING PLAN

Gainsharing is a mutual goal. Employee involvement will be the means to achieve this goal. Without meaningful and effective participation by all employees, in reducing costs within their control, there will be no financial gains to share. The combined efforts of management regularly sharing information and workers contributing to daily job decision making will be the basis for cost saving ideas and solutions to problems. The basic elements of the employee involvement process at Kaiser are as follows:

1. Weekly or otherwise timely disclosure by management of accurate data on job planning, schedules, yard and sub-unit performance against targets, and other relevant operating information (such as tools and material costs).
2. Weekly meetings between workers, supervisors, and technical staff to identify existing or anticipated problems, solve them where possible, or refer them to appropriate management/staff as necessary. These meetings will occur within any or some combination of the following groups, as project circumstances permit.
 - Crew Level: between first line supervisors and members of their crews with a technical staff person.
 - Combined Crews: supervisors, technical staff and representatives from two or more crews, depending on the problem or need.
 - Yard Task Force(s): Ad hoc groups of supervisors, workers and technical staff assigned by the Yard Committee to solve or propose solutions to specific problems.
3. Regular meetings of a ‘Yard Committee’ composed of management and union representatives from key operating areas, to monitor and guide employee involvement efforts.
4. Periodic review of the accuracy, scope, and timeliness of management’s financial and operating information by a standing subgroup of the Design Committee.

APPENDIX C

KAISER STEEL CORPORATION VALLEJO YARD GAINSHARING AND EMPLOYEE INVOLVEMENT PROGRAM

STEERING COMMITTEE

Harold Halterman Vice President Fabricating Operations	Len Beauchamp Director of Research Boilermaker International
Kevin Reidy President Fabricated Products Group	Lee Franklin International Representative Boilermaker International
Bob Russell/Mike Brundy Managers, Industrial Relations Fabricated Products Group	Dave Meehan Business Manager, Secretary-Treas. Boilermaker Local No. 6
Dick Whity Director, Administration Fabricated Products Group	Jack Sloan Vice President Boilermaker International
	Mike Tobin Business Representative Boilermaker Local No. 6

DESIGN COMMITTEE

Harold Halterman Vice President Fabricating Operations	Len Beauchamp Director of Research Boilermaker International
Tom Hopkins Manager Offshore and Construction	Lee Franklin International Representative Boilermaker International
Bob Russell/Mike Brundy Managers, Industrial Relations Fabricated Products Group	Bill Lowe Steward Boilermaker Local No. 6
Dana Zanone Manager, Operations Accounting	Dave Meehan Business Manager, Secretary-Treas. Boilermaker Local No. 6
Bill Mulcrevy Manager, Field Operations Northern California	Ray Sesma Business Manager Painters Local No. 1176
C. Ham General Foreman Vallejo Yard	Mike Tobin Business Representative Boilermaker Local No. 6

APPENDIX D

Below are the survey results based on your answers. The Consultant has also summarized the main ideas from your write-in answers. The results were compiled from 81 returned questionnaires; 138 were distributed, for a response rate of 59%.

QUESTIONNAIRE

Please circle or write-in your answer to the following questions:

I. B a c k g r o u n d

1. Have you worked in the Kaiser Vallejo yard before starting this job?

Yes-44 (55 %)
No —36 (45%)

2. Did you complete the previous questionnaire distributed during the Endicott Project?

No	-13 (16%)
Yes	-20 (25 %)
Not Applicable (Did not work here then)	47 (59%)

II. Monday Morning Crew Meetings

1. So far, how valuable have these meetings been for finding out about job progress in the Yard?

SCORING CODE: 5 Very useful -25
 4 Fairly useful -25
 3 Somewhat useful -18 Average Score: 3.76
 2 Not too useful -10
 1 A waste of time - 2

2. How valuable have these meetings been for getting your questions answered?

SCORING CODE: 1 A waste of time - 3
 2 Not too useful -25
 3 Somewhat useful -18 Average Score: 3.74
 4 Fairly useful -10
 5 Very useful - 2

3. How valuable have the meetings been in identifying and solving job related problems?

SCORING CODE: 5 Very useful -15
 4 Fairly useful -31
 3 Somewhat useful -14 Average Score: 3.65
 2 Not too useful -10
 1 A waste of time - 1

4. How effective is your supervisor in conducting these meetings?

SCORING CODE: 5 Very effective -27
 4 Fairly effective -25
 3 Somewhat effective - 9 Average Score: 4.00
 2 Not too effective - 9
 1 Very ineffective - 2

5. Do you feel able to speak-up and contribute at these meetings?

Yes-69 (95 %)
No — 4 (05%)

If no, Why? _____

6. How could these meetings be improved? _____

7. Are the graphs shown at the meetings (describing job progress in the yard) clear and understandable?

No —24 (33%)

Yes-47 (64%)

?? 2 (03%)

III. Communications

1. How satisfied are you with the quality and timeliness of information you have received from management on this job?

<u>SCORING CODE:</u>	4 Very satisfied	—22	
	3 Fairly satisfied	—36	
	2 Somewhat satisfied	—12	Average Score: 2.95
	1 Very dissatisfied	— 5	

If dissatisfied, Why? _____

IV. Trust

1. How would you rate the level of trust between workers and supervisors in this yard?

<u>SCORING CODE:</u>	1 Very low trust	— 8	
	2 Low	— 9	
	3 Medium	—37	Average Score: 2.85
	4 Very high trust	—19	

2. How about the level of trust between workers and senior management in the yard?

<u>SCORING CODE:</u>	5 Very high trust	—16	
	4 Medium	—34	
	3 Low	—14	Average Score: 2.75
	2 Very low trust	—10	
	1 Don't know	— 2	

If you have worked in this yard before, please answer the following:

3. How does the overall level of trust between workers and management on this job compare to previous ones you've worked on?

Better (more trust)	—25 (36%)
About the same	—32 (46%)
Worse	—13 (18%)

V. Gainsharing

1. How would you rate the degree to which the unions and the Company are cooperating to make the gainsharing program work?

<u>SCORING CODE:</u>	Average Scores:	HAD ORIENTATION	DID NOT HAVE ORIENTATION
		5 To a great extent	—17 (45%)
		4 To some extent	—13 (34%)
		3 To a small extent	— 2 (05%)
4.03 (Had orientation)	2 Very little	— 4 (10%)	— 6 (20%)
1.33 (Did not have)	1 Not at all	— 5 (05%)	— 2 (07%)
			??_ 2 (07%)

- . Do you understand the gainsharing program?

	<u>HAD ORIENTATION</u>	<u>DID NOT HAVE ORIENTATION</u>
No	— 3 (09%)	—16 (47%)
Yes	—32 (91 %)	—18 (53%)

If No, what is unclear? _____

3. Do you understand the way payouts in the plan are determined?

Yes	—32 (89%)	—14 (40%)
No	—4 (11 %)	—21 (60%)

4. Do you have any unanswered questions about the gainsharing plan here?

If yes, describe _____

5. Based on your experience so far, do you feel the gainsharing program can work?

No	— 7 (20%)	—10 (32%)
Yes	—21 (58%)	—17 (55%)
??	— 8 (22%)	— 4 (13%)

Why/Why not? _____

6. Do you feel confident that the gainsharing calculations here will be fair and honest?

Yes	—14 (42%)	— 9 (26%)
No	— 5 (15%)	—4 (11 %)
Unsure	—14 (42%)	—22 (63 %)

VI. General

1. Have you had a suggestion or idea about ways to work smarter here which you have not voiced at crew meetings or explained to a supervisor?

No	—65 (89%)
Yes	— 7 (10%)
??	— 1 (01%)

If your answer was Yes (you did not voice your thought), Why?

2. Overall, do you feel that Kaiser management is committed to improving the way it does business with its employees?

Yes	—51 (75%)
No	—10 (15%)
??	— 7 (10%)

If No, Why? _____

3. Do you feel the Unions are committed to improving their relationship with the Company here?

No	—16 (23%)
Yes	—45 (64%)
??	— 9 (13%)

If No, Why? _____

4. Have you attended an orientation session for the "Hidalgo" Project yet?

Y e s N o _

VII. Other comments (please use other side if necessary):

APPENDIX E

Below are the survey results based on your answers. The consultants have summarized the key ideas from your written answers. The results were compiled from the 86 returned questionnaires: 373 were distributed, for a response rate of 23%.

QUESTIONNAIRE

I. Background

1. Have you worked in the Kaiser Vallejo yard before starting this project?

1. Yes—30
2. No —56

2. Did you complete a similar version of this questionnaire last November?

1. Yes—29
2. No —56

3. When were you hired by Kaiser to work on this project? (month) _____

4. Did you attend an orientation session for the Gainsharing/Employee Involvement program?

1. Yes—57
2. No —29

II. Monday Morning Crew Meetings

1. How valuable have these meetings been for finding out about job progress in the yard?

- | | |
|--------------------|---------------------------|
| 1. Very useful | —13 |
| 2. Fairly useful | —24 |
| 3. Somewhat useful | —19 —2.906 (mean average) |
| 4. Not too useful | - 16 |
| 5. A waste of time | —13 |

2. How valuable have these meetings been for getting your questions answered?

- | | |
|--------------------|---------------------------|
| 1. A waste of time | —19 |
| 2. Not too useful | — 9 |
| 3. Somewhat useful | —23 —3.024 (mean average) |
| 4. Fairly useful | —17 |
| 5. Very useful | —16 |

3. How valuable have the meetings been in identifying and solving job-related problems?

- | | |
|--------------------|----------------------------|
| 1. Very useful | - 12 |
| 2. Fairly useful | —15 |
| 3. Somewhat useful | —21 —3. 167 (mean average) |
| 4. Not too useful | —19 |
| 5. A waste of time | —17 |

4. How effective is your supervisor (foreman) in conducting these meetings?

- | | |
|-----------------------|----------------------------|
| 1. Very effective | —23 |
| 2. Fairly effective | - 29 |
| 3. Somewhat effective | — 9 —2.45 1 (mean average) |
| 4. Not too effective | —12 |
| 5. Very ineffective | — 9 |

5. Do you feel able to speak-up and contribute at these meetings?

1. Yes—63
2. No —18

If no, Why? _____

III. Employee Involvement

1. How would you rate the extent to which your ideas and suggestions have been listened to and considered by yard foremen?

- | | |
|----------------------|---------------------------|
| 1. To a great extent | —12 |
| 2. To some extent | —30 |
| 3. Not too often | —16 —2.600 (mean average) |
| 4. Not at all | —22 |

2. How would you rate the extent to which your ideas and suggestions have been listened to and considered by yard management (General Foremen, Yard Superintendent, Project Manager)?

- | | |
|----------------------|----------------------------|
| 1. Not at all | --27 |
| 2. Not too often | —20 |
| 3. To some extent | —23 —2. 177 (mean average) |
| 4. To a great extent | — 9 |

3. How satisfied are you with the quality and timeliness of information YOU have received from management on this project?
- | | |
|--------------------------|---------------------------|
| 1. Very satisfied | —13 |
| 2. Fairly satisfied | —25 |
| 3. Somewhat dissatisfied | —19 —2.714 (mean average) |
| 4. Very dissatisfied | —27 |
4. Overall, how satisfied are you with the way the employee involvement program has been implemented on this project?
- | | |
|--------------------------|---------------------------|
| 1. Very dissatisfied | —27 |
| 2. Somewhat dissatisfied | —20 |
| 3. Fairly satisfied | —27 —2.150 (mean average) |
| 4. Very satisfied | — 6 |
5. What improvements would you suggest in future programs? (Please be sure to check more than one if you wish.)
- | | |
|---|---|
| 1. 6 Fewer people at meetings | 6. 13 Hold meetings mid-week instead of Monday |
| 2. 10 More people at meetings | 7. 13 Hold more frequent, shorter meetings |
| 3. 39 Mixed trades attend meetings | 8. 39 Form more “task forces” of workers & supervisors/technical staff to solve specific problems |
| 4. 15 Separate trades hold own meetings | |
| 5. 30 Provide training in problem solving & communication | 9. 23 Other_____ |

IV. Management and Supervision

1. How would you rate the level of trust between workers and supervisors (foremen) in this yard?
- | | |
|--------------------|---------------------------|
| 1. Very high trust | —18 |
| 2. Medium | —30 |
| 3. Low | —14 —2.458 (mean average) |
| 4. Very low trust | —21 |
2. How about the level of trust between workers and yard management (General Foremen, Yard Superintendent, Project Manager)?
- | | |
|--------------------|---------------------------|
| 1. Very low trust | —25 |
| 2. Low | —15 |
| 3. Medium | —30 —2.373 (mean average) |
| 4. Very high trust | —13 |
3. How would you rate the quality of direct supervision (i.e., from foremen) you've had on this project?
- | | |
|-----------------|---------------------------|
| 1. Very poor | —12 |
| 2. Not too good | — 7 |
| 3. Passable | —10 —3.500 (mean average) |
| 4. Fairly good | —34 |
| 5. First rate | —19 |
4. How would you rate the quality of yard management (General Foremen, Yard Superintendent, Project Manager) in running this project?
- | | |
|-----------------|---------------------------|
| 1. First rate | —12 |
| 2. Fairly good | —23 |
| 3. Passable | —18 —2.975 (mean average) |
| 4. Not too good | — 9 |
| 5. Very poor | —18 |

5. If you've worked in this yard before, please answer the following:

How does the overall level of trust between workers and management on this project compare to previous Kaiser jobs you've worked on?

1. Better (more trust)	- 9
2. About the same	-11
3. Worse	-13

V. Gainsharing

1. How would you rate the degree to which the Unions and the Company have cooperated in trying to make the gainsharing program work?

1. To a great extent	-10
2. To so-me extent	-18
3. To a small extent	-20
4. Not at all	-27

2. Do you feel the gainsharing calculations here are being made fairly and honestly?

1. No 45
2. Yes—26

If not, Why? _____

3. Would you come back to Kaiser and work under another program based on productivity gainsharing, profit sharing, or some related type of bonus program worked out by the Unions and Management?

1. Yes--46
2. No —31

Why? _____

4. Do you understand the way payouts under the present gainsharing plan are determined?

1. No —16
2. Yes—66

VI. General

1. Have you had a suggestion or idea about ways to work smarter here which you have not voiced at crew meetings or explained to a foreman?

1. Yes—29
2. No —50

If your answer was "Yes," Why? _____

2. Overall, do you feel that Kaiser management is committed to improving the way it does business with its employees?

1. Yes-42
2. No -35

If "No," why? _____

3. Do you feel the Unions are committed to improving their relationships with the Company here?

1. Yes-45
2. No —29

If "No," why? _____

4. How would you rate the job your union leaders have done in trying to make the Gainsharing/Employee Involvement program work?

1. First rate	- 9
2. Fairly good	-11
3. Passable	-15 —3.526 (mean average)
4. Not too good	-13
5. Very poor	-28

5. How would you rate the job Kaiser management has done in trying to make the Gainsharing/Employee Involvement program work?

1. Very poor	-21
2. Not too good	-19
3. Passable	-11 —2.750 (mean average)
4. Fairly good	-17
5. First rate	-12

6. How do you feel about the completion bonus payment plan for employees (based on percent complete of Vallejo work on actual sailaway date) which was put forth by Kaiser management and reviewed and recommended by the Steering Committee?

1. I like it -41
2. I don't like it -28

Why? _____

VII. Other Comments

This is the final questionnaire for the Hidalgo Project. It will be your last chance to get your comments in about the Employee Involvement/Gainsharing program and this project. Let's hear it!

THANK YOU FOR YOUR HELP!